



Tenet Bulls Position for Spin-Off, Activism

Ticker/Price: THC (\$20.90)

Analysis:

Tenet Health (THC) on 8/19 with a large purchase of 6,000 January 2021 \$25 calls at \$4.55 for over \$3M and also with opening sellers of the September \$19 puts 1500X. THC also had a buyer of the November \$25 calls 2500X on 7/26 and in January 2020 has 10,000 each of the \$20 and \$25 calls that were bought to open in December and January. THC shares put in a big reversal candle the week of July 22nd and look to establish a higher low, shares remain well off 2018 highs. The \$2.16B Healthcare Services Company trades 7.45X Earnings, 11X FCF and 7.1X EV/EBITDA. Projections show a forecast of 17% EBITDA growth next year, 9.6% revenue growth and 30.7% EPS growth. In July the company completed its strategic review with plans to spin-off Conifer by Q2 2021, its revenue-cycle subsidiary, as Tenet looks to bring down its debt load. THC manages 68 Hospitals, 267 Ambulatory Surgery Centers, 112 Urgent Care Centers, 79 Imaging Centers, 23 Surgical Hospitals and 20 Off-Campus ED's, a National footprint. It sees a path to growth and de-lever while delivering volume/pricing growth, margin expansion, and taking acquisition opportunities. Analysts have an average target of \$27 on shares and short interest is 12% of the float, the low-end of its five-year range, but rising 40% Q/Q. Glenview's Larry Robbins recently increased his active stake to 18.73%. Goldman recently started coverage at Neutral with a \$28 target seeing favorable risk/reward into the spin-off but looking for signs of sustainability in improved Q2 hospital volumes. Mizuho has a \$32 target and said THC will benefit from the spinoff because it puts some debt on Conifer and will be tax-free, preserving Tenet's net-operating-loss carryforward.

Hawk Vision:



Hawk's Perspective: THC has some work to do to improve its technical profile but the event-driven situation here is attractive.

Confidence Ranking: \$\$